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Status of Hay Associates (Ed Hustead) Study  
on the Design and Development of a Supplemental  
Retirement System for CIA Employees Hired After  
31 December 1983

1. Actions Completed to Date:

- a. On 13 January 1984, Mr. Hustead formally presented his Report #1 (Background and Issues) to the Director of Personnel (D/OP), the Deputy Director of Personnel (DD/OP), the Deputy Director of Personnel for Special Programs (DD/OP/SP), and members of the internal Office of Personnel (OP) task team working on the project.
- b. Based upon a detailed review of Report #1 before the scheduled meeting and detailed discussions during and after Mr. Hustead's presentation, certain conclusions were reached and shared with Mr. Hustead to provide him with the basis for his ongoing studies in designing a CIA supplemental retirement system.

The required guidances provided Mr. Hustead are outlined in paragraphs 2 and 3 below.

2. Guidance Provided Mr. Hustead after Discussions on Report #1:

a. Design of the System

That the initial shape of the new retirement system would be in the form of a single plan which would cover all new CIA employees with sets of general provisions applicable to CSR type personnel and special provisions applicable to CIARDS types. The development of the provisions within the plan applicable to each category of employees (i.e., CSR and CIARDS types) would be designed to permit future split-off of either categories into separate "stand-alone" plans if future circumstances or strategy so required or was more desirable in making the Agency case.

That the design of the basic system be a "defined benefit system" which would assure a future level of retirement benefits and retain the capability of the Agency and our employees to make definitive future retirement plans.

That in addition to designing the basic system as a defined benefit plan, analysis be made of the feasibility of establishing a voluntary defined contribution plan or "thrift plan" with employee contributions matched by the Government to provide additional benefits to supplement the basic retirement annuity.

That the new system should retain provisions for early retirement essentially the same as currently provided employees now covered under civil service and CIARDS.

That the key objectives which the new retirement system would support are:

- (1) Building and maintaining an effective workforce.
- (2) The placing of retirement benefits in the context of total compensation for services rendered by employees.
- (3) Replacement income rates sufficient to provide appropriate levels of retirement income for categories of employees with differing working career demands (i.e., civil service vis a vis CIARDS type careers).
- (4) Reasonable cost to the Government.

b. Development of Additional Comparative Data on Other Retirement Systems

In Report #1, Mr. Hustead provided graphic comparisons between CIARDS and the regular CSRS with local police, military, state Government, and private sector systems.

Miscellaneous comparisons included the benefit accrual rates, employee contribution rates, and costs to the employer in the valuation of the systems.

It was felt that it was important that additional detailed comparisons be added as regards to the "special" CSRS provisions applicable to hazardous duty, FBI, and the Air Traffic controllers since these provisions of CSRS are more nearly comparable to CIA's circumstances (particularly as regards CIARDS) than comparison with the regular CSRS. Mr. Hustead agreed and acknowledged that the comparative benefits of these special CSRS plans were probably of a higher valuation than those provided by current CIARDS even though employees contributed 1/2% more than CIARDS participants.

3. Selection of Alternatives for Further Analysis

As regards future membership in the new supplemental retirement system, alternatives should be explored that would also permit transfer of current employees now covered by the present CIARDS and CSRS into the new system. This might be limited to periods of "open seasons" and condition that such transfers would be required to also participate under Social Security.

(Mr. Hustead stated that in all probability such an option will be considered by Congress in their efforts to develop a Government-wide system.)

Comparative costs and retirement income replacement levels will be developed by Mr. Hustead based on analysis of various accrual rates (such as 2 1/2% for CIARDS; 2% for CSR types, etc.) together with analysis of the impact of other factors such as retention of current voluntary retirement eligibility ages and service and the effect of raising retirement ages and/or service requirements.

Development of various provisions for off-sets and/or step-rates relative to Social Security pension benefits when they become payable.

Development of alternative provisions as regards disability and survivor benefits to cover employees not yet eligible for Social Security benefit coverage as well as circumstances where dual eligibility might be encountered.

4. Actions to be Completed

Mr. Hustead stated that the sessions on 13 January 1984 provided him with the basis to proceed with the development of data focused on a more detailed analysis of the several alternatives that needed to be explored.

He further stated, however, that while he has had contact with the U.S. Government actuary he had not yet arranged for access and review of the specific data relative to actuarial valuations of the Agency's current CIARDS and CSRS coverage.

He stated that he would now follow up on obtaining this data in order to establish a "base line" on the costs of the current systems. This "base line" is a prerequisite to beginning his analysis of the several alternatives that must be pursued.

He indicated that development of his "base line" data probably would be completed in approximately four weeks (i.e., approximately 13 February 1984).

Arrangements should be made with  (Office of Finance) and the Office of Data Processing to expedite service to Mr. Hustead to minimize any delays in his analysis of the various alternatives for consideration within the new system.